National Association of Counties

June 10, 2004

The Honorable Bill Thomas
Chairman, Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515-6348

RE: FSC/ETI Legislation - H.R. 4520

Dear Chairman Thomas:

I write to thank you and your staff for working with the National Association of Counties (NACo) to minimize the unintended consequences for county finances of proposed restrictions on tax-exempt leasing. Specifically, we appreciate the inclusion of the following provisions in H.R. 4520, the American Jobs Creation Act of 2004, as scheduled for committee markup next week:

- Eliminating the prohibition on tax-exempt bond financing language;
- Creating an exception for 'short-term' leases of up to five years in the requirements related to minimum equity investment and minimum risk of loss provisions;
- Allowing an additional two-year renewal on leases for qualified technology equipment; and
- Ensuring that the legislation will only impact leasing arrangements on a prospective basis.

We are also grateful that your staff has offered to incorporate additional clarifications into the accompanying committee report and are confident that these clarifications will help to prevent unintended restrictions on traditional leasing. Further comments on these provisions of the legislation are provided in a joint letter that NACo has forwarded under separate cover together with the National Association of State Treasurers, the Government Finance Officers Association, the National League of Cities and the American Public Power Association.

We also thank you for including in this legislation a restoration of the deduction for state and local sales taxes. NACo has long been a supporter of reinstating the deductibility of sales taxes and applying federal taxes fairly to all state and local taxpayers, regardless of whether their state and local governments rely primarily on income, property or sales taxes to fund public services. This provision will provide significant tax reduction for millions of taxpayers who are currently unable to deduct their state and local taxes.

NACo would also urge you to consider repeal of the so-called "ten year rule" on mortgage revenue bonds. This rule – a relic of a time when the mortgage revenue bond program was slated for expiration – requires agencies to use prepayments on mortgages assisted through the proceeds of mortgage revenue bonds to retire existing bonds rather than using the funds to make additional loans to qualified homebuyers. Repeal of this rule, which strains the private activity bond volume cap and limits use of the program, was provided for in S. 1637, the Jumpstart Our Business Strength Act, as it passed the Senate last month. House legislation that also provides for its repeal, H.R. 284, is supported by NACo and is cosponsored by more than three-quarters of the members of the House of Representatives.

Your consideration of NACo's positions on issues that are of importance to the nation's counties is certainly appreciated. If we can provide additional information to your staff, please contact Alysoun McLaughlin at 202-942-4254 or at amclaughlin@naco.org.

Sincerely,

Ray Valdes

Ray Valdes
Tax Collector
Seminole County, Florida
Chair, NACo Steering Committee on Finance and Intergovernmental Affairs